

DRAFT Proposal FY 2011-12 Allocation 6/15/10

With the enactment of Senate Bill 03, public higher education institutions gain much greater flexibility to set tuition as well as greater operational flexibility to prepare for the elimination of federal Recovery Act funding in FY 2011-12. Now, CCHE, the department and the Governing Boards must act rapidly to plan for these changes even in light of uncertain state revenues.

In addition to reflecting basic principles outlined in the legislation and adopted by the Commission, a state funding allocation formula for FY 2011-12 needs to accommodate uncertain revenues and varying availability of state funds. It should allow for Governing Boards to begin planning for the flexibility provided in Senate Bill 03.

The proposal described below accommodates the varying ability of Governing Boards to raise tuition and offset reduced state funding. The proposal offers two simple allocation methodologies that were previously developed and are familiar to institutions and Governing Boards. Which allocation model would be used is determined by the total amount of state funding available for higher education for FY 2011-12:

1. If total state funding available for higher education is below \$500 million, a “total revenue” model* will allow institutions better positioned to utilize tuition flexibility to do so while protecting core functions at community colleges and institutions less able to leverage tuition flexibility.
2. If total state funding available for higher education is at \$500 million or above, a “three-part” allocation model** will blend three allocation factors: (1) prior year “base” funding levels, (2) total revenue allocation and (3) an enrollment factor.

There are two primary advantages to this approach. First, it is simple and can allow for planning to go forward without having exact certainty about the amount of state funding available. If current revenue projections hold, Governing Boards can move forward knowing that the three part allocation model will be utilized. If Governing Boards believe that current revenue projections are too optimistic or if revenues actually decrease such that the state allocation drops below \$500 million they can plan to utilize the total revenue allocation formula. Secondly, the model allows for the additional factors of the three-part allocation to be considered if there is more funding available and therefore less risk to core operations.

Finally, like other short term recommendations, this proposal would not be a permanent allocation methodology but a stop-gap measure taken in light of what will likely be a very difficult year for the Colorado system of higher education. This proposal allows for different allocation options going forward in anticipation of the recommendations of the strategic plan and what we hope will be improved revenue projections in future years.

*“Total Revenue” includes state funding and tuition based on FY 2010-11 levels but does not include state funded financial aid.

**“Three-part allocation” model is based on FY 2010-11 fund levels not including state funded financial aid and adjusted to account for enrollment growth.